



## THE HIDDEN COST OF BUDGET GIMMICKS

When a politician in Washington claims something is “paid for,” it is wise to be wary. By engaging in practices that purposefully mislead the public, it is no wonder Congress’ approval rating was at 21 percent in October.<sup>1</sup> President Biden claims the Build Back Better plan is fully paid for and will even reduce the deficit, but in reality, it is full of budget gimmicks.<sup>2</sup> See more below on how these budget gimmicks are concealing the real cost of the Democrats’ plan.

### Only Partially Funding New Programs

- Congress often doesn’t fully fund new, permanent federal programs for 10 years, although bills are scored in a 10-year window. This creates a fiscal cliff where the total cost of the programs appears smaller but pressures Congress to come back years after the program was created to shore up funding.
- The Build Back Better framework creates a new long-term federal program funding preschool for all 3- and 4-year-olds but only funds the program for six years.
- The framework also creates a new long-term federal program subsidizing childcare. This program, like the universal preschool program, only includes funding for 6 years.

### Making Tax Credits Temporary

- Similarly, by making a tax credit temporary, the total cost seems smaller than extending a tax credit for 10 years. This will create pressure on Congress to extend the credit in the future when it expires.
- The Build Back Better framework expands the child tax credit without work requirements for only one year, which the Tax Foundation estimates would cost \$1.6 trillion if the expansion were extended for 10 years.<sup>3</sup>
- The framework also extends the expanded earned income tax credit for one year, while a 10-year expansion is estimated by the Joint Committee on Taxation to cost more than \$135 billion.<sup>4</sup>
- The Affordable Care Act premium tax credits will only be extended for four years under the framework, making the cost total over \$300 billion if extended over 10 years.

Considering the budget gimmicks employed in the Build Back Better Framework, it would be foolish to say that it would reduce the deficit. The framework only truly funds new programs for a couple years, but Congress will be expected to fund it in perpetuity, which will certainly increase the deficit. Just as budget gimmicks were used to hide the true costs and inflate the benefits of the Affordable Care Act, among numerous other pieces of legislation, Americans should heed the saying “fool me once, shame on you; fool me twice, shame on me.”<sup>5</sup>

### POLICY SOLUTIONS

Budget gimmicks erode public trust, and rather than continuing to mislead the American people, Congress should stop the deceitful practices. Further, reforms to the Congressional Budget Office’s (CBO) scoring should be considered to allow for more transparency of a bill’s true cost. For example, CBO should treat all temporary provisions consistently, since Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 allows new spending programs over \$50 million to be treated as permanent in the baseline, which makes an

extension of the increased spending level appear costless. Other reforms, such as H.R. 638, the Cost Estimates Improvement Act, would require CBO to include the effects of servicing the debt in cost estimates, allowing for a better understanding of the true cost of a bill.

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<sup>1</sup> Lydia Saad. Congress Approval Rating Lowest in 2021 as Democrats Turn Negative. Gallup. October 26, 2021.

<https://news.gallup.com/poll/356591/congress-approval-lowest-2021-democrats-turn-negative.aspx>

<sup>2</sup> President Biden Announces the Build Back Better Framework. The White House. October 28, 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/28/president-biden-announces-the-build-back-better-framework/> and Build Back Better Framework. The White House. October 28, 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/28/build-back-better-framework/>

<sup>3</sup> Erica York and Huaqun Li. Making the Expanded Child Tax Credit Permanent Would Cost Nearly \$1.6 Trillion. Tax Foundation. March 19, 2021. <https://taxfoundation.org/expanded-child-tax-credit-permanent/>

<sup>4</sup> JCX-42-21. The Joint Committee on Taxation. September 13, 2021. <https://www.jct.gov/publications/2021/jcx-42-21/>

<sup>5</sup> Kathryn Nix. Obamacare and the Budget: Playing Games with Numbers. The Heritage Foundation. January 21, 2011. <https://www.heritage.org/health-care-reform/report/obamacare-and-the-budget-playing-games-numbers>